Supreme Court, U.S.
FILED
NOV 1 1 2008
OFFICE OF THE CLERK

No. 08-259

IN THE

Supreme Court of the United States

TRANSLOGIC TECHNOLOGY, INC.,

Petitioner,

v.

HITACHI, LTD., HITACHI AMERICA, LTD., AND RENESAS TECHNOLOGY AMERICA, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF FOR PETITIONER

JEFFREY S. LOVE
JOHN D. VANDENBERG
KLARQUIST SPARKMAN, LLP
121 S.W. SALMON STREET
SUITE 1600
PORTLAND, OREGON 97204
(503) 226-7391

ROBERT A. LONG
COUNSEL OF RECORD
E. EDWARD BRUCE
RICHARD L. RAINEY
BRIAN G. BIELUCH
JAMES P. SULLIVAN
JOSHUA B. SIMMONS
COVINGTON & BURLING LLP
1201 PENNSYLVANIA AVENUE, NW
WASHINGTON, D.C. 20004
(202) 662-6000

Counsel for Petitioner

NOVEMBER 2008

TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES ii

REPLY BRIEF FOR PETITIONER 1

CONCLUSION 12

TABLE OF AUTHORITIES

Page(s)

CASES

Am. Airlines, Inc. v. *Lockwood*, 515 U.S. 1182 (1995) 2
Dennison Mfg. Co. v. *Panduit Corp.*, 475 U.S. 809 (1986) 4
Graham v. *John Deere Co.*, 383 U.S. 1 (1966) 4
In re Hyatt, 211 F.3d 1367 (Fed. Cir. 2000) 7
In re Lockwood, 50 F.3d 966 (Fed. Cir. 1995) 2
In re Tech. Licensing Corp., 423 F.3d 1286 (Fed. Cir. 2005) 2
In re Trans Tex. Holdings Corp., 498 F.3d 1290 (Fed. Cir. 2007) 7
In re Zletz, 893 F.2d 319 (Fed. Cir. 1989) 7
KSR Int'l Co. v. *Teleflex Inc.*, 127 S. Ct. 1727 (2007) 4
Medtronic Inc. v. *Intermedics, Inc.*, 799 F.2d 734 (Fed. Cir. 1986) 4
Patlex Corp. v. *Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985) 2
Phillips v. *AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) 7
Structural Rubber Prods. Co. v. *Park Rubber Co.*, 749 F.2d 707 (Fed. Cir. 1984) 4
Translogic Tech., Inc. v. *Hitachi, Ltd.*, Nos. 2005-1387, 2006-1333, 250 Fed. Appx. 988 (Fed. Cir. Oct. 12, 2007) 8
Unitherm Food Sys., Inc. v. *Swift-Eckrich, Inc.*, 546 U.S. 394 (2006) 6

CONSTITUTIONAL PROVISIONS

U.S. CONST. amend. VII 3, 6

STATUTES

8 U.S.C. § 1155 11
16 U.S.C. § 460nnn-23(e)(2) 11
26 U.S.C. § 3121(w)(2) 11
35 U.S.C. § 306 10
35 U.S.C. § 307(a) 3, 9, 10, 11

REGULATIONS

7 C.F.R. § 1124.10(c) 11
13 C.F.R. § 115.33(e)(3) 11
38 C.F.R. § 74.22(d) 11
48 C.F.R. § 17.103 11

RULES

Fed. R. Civ. P. 50(b) 6
Fed. R. Civ. P. 59(e) 9
Fed. R. Civ. P. 60(b) 9

OTHER AUTHORITIES

U.S. PATENT AND TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE (July 2008), http://www.uspto.gov/web/offices/pac/mpep/mpep_e8r7_2200.pdf 8, 9, 10

REPLY BRIEF FOR PETITIONER

Respondents do not dispute that, in October 2003, a jury returned a verdict rejecting their arguments that petitioner's patent is invalid for obviousness. (*See* Pet. App. 128a-29a.) The jury verdict came two years before the Board of Patent Appeals and Interferences ("Board") of the Patent and Trademark Office ("PTO") entered orders reexamining petitioner's patent (*see id.* at 161a, 182a), and five years before the Board's orders became final upon completion of judicial review. In May 2005—also prior to the Board's reexamination decisions—a second jury found respondents liable for damages for patent infringement (*see id.* at 40a-41a).[1]

In their motions for judgment as a matter of law ("JMOL"), respondents did not raise the argument the Board later accepted in its reexamination proceedings—that a person of ordinary skill in the art would find petitioner's patent obvious in the light of a combination of two prior art references. (*See id.* at 136a, 144a-46a, 160a.) Respondents did not even introduce one of those two prior art references at trial.

The Federal Circuit did not review the arguments respondents actually pressed in the district court before the jury or in their JMOL motions. Instead, the Federal Circuit simply vacated the jury's verdicts and remanded for dismissal, in

---

[1] Pursuant to Rule 29.6, petitioner states that the corporate disclosure statement in its petition (Pet. ii) remains current.

light of its decision to uphold the Board's reexamination orders. (*Id.* at 4a-5a.)

Respondents do not dispute that, in an action for patent infringement seeking damages, the parties are "entitled to a jury trial on the issue of patent validity." (Pet. 11) (quotation marks omitted); *see id.* at 12-13, 15; *In re Lockwood*, 50 F.3d 966, 976 & n.12 (Fed. Cir.), *vacated as moot sub nom. Am. Airlines, Inc.* v. *Lockwood*, 515 U.S. 1182 (1995); *In re Tech. Licensing Corp.*, 423 F.3d 1286, 1290 n.2 (Fed. Cir. 2005) (per curiam) (with respect to "actions at least in part for damages, the parties were [historically] entitled to a jury trial on the issue of patent validity, just as they would be today").[2] Nor do respondents dispute that the Seventh Amendment attaches by its terms once a "fact [has been] tried by a jury" and that a jury's findings may not be set aside without

---

[2] Respondents briefly invoke the Federal Circuit's decision in *Patlex Corp.* v. *Mossinghoff*, 758 F.2d 594, 603 (Fed. Cir. 1985), and a related decision, for the proposition that "an administrative proceeding in the Patent Office . . . does not violate a patentee's right to a jury trial regarding validity, even if the re-examination results in the total loss of a patent." (Opp. 10.) *Patlex* simply held that, other than in an action for patent infringement seeking damages like this one, there is no *per se* right to have a jury consider patent validity. 758 F.2d at 604-05. Petitioner does not challenge the constitutionality of the statutory reexamination process, which was at issue in *Patlex*, but instead contends that it was entitled to a jury trial on validity in this patent infringement action for damages. *Patlex* expressly recognizes the existence of such a right. *See id.* at 603 ("[t]he right to a jury trial on issues of patent validity that may *arise in a suit for patent infringement* is protected by the Seventh Amendment") (emphasis added).

following "the rules of the common law." U.S. CONST. amend. VII; *see* Pet. 12-16. Instead, respondents contend: "Petitioner was not deprived of any right to a jury trial under the Seventh Amendment" because the Federal Circuit's "revers[al]" was predicated upon "the lower court [having] made an error of law in its claim construction and a further error of law in determining that the asserted patent was not obvious." (Opp. 2.)

The Federal Circuit said no such things. It held only that: "In light of this Court's decision in *In re Translogic Tech., Inc.* [affirming the Board's reexamination decision (the "Reexamination Case")], this court vacates the district court's decision and remands this case to the district court for dismissal." (Pet. App. 4a.) Contrary to respondents' portrayal of the record, the Federal Circuit did not review the merits of the district court's judgment and "reverse[]" (Opp. 2, 17), but instead "vacate[d]" the district court's judgment without applying the JMOL standard (Pet. App. 4a; *see id.* at 5a).

Separately, the petition argues that a proper construction of the relevant provision of the Patent Act, 35 U.S.C. § 307(a), would avoid the Seventh Amendment issue presented by the Federal Circuit's decision. Respondents fail to address the merits of that argument.

1. Respondents make two arguments in response to petitioner's Seventh Amendment challenge. Respondents argue that "[o]bviousness is a question of law for the court" and, "[l]ike obviousness, claim construction also is a purely legal issue for the court that is subject to *de novo* review on appeal." (Opp. 7-8.)

a. With respect to obviousness, respondents' argument conflicts with well-established case law, which holds that obviousness is not a "purely legal" issue. (Opp. 8.) In a jury trial for patent infringement, the jury answers "several basic factual inquiries" that underlie the legal conclusion of obviousness. *Graham* v. *John Deere Co.*, 383 U.S. 1, 17 (1966). These inquiries include "the content of the prior art, the scope of the patent claim, and the level of ordinary skill in the art." *KSR Int'l Co.* v. *Teleflex Inc.*, 127 S. Ct. 1727, 1745-46 (2007); *see Dennison Mfg. Co.* v. *Panduit Corp.*, 475 U.S. 809, 811 (1986) (per curiam) (summarily vacating a Federal Circuit decision for failure to provide an "informed opinion on the complex issue of the degree to which the obviousness determination is one of fact"); Pet. 10-11 (collecting Federal Circuit cases).[3]

Respondents contend that the Federal Circuit determined that petitioner's patent "is, as a matter of law, invalid as obvious." (Opp. 10.) This misstates the record. The Federal Circuit's determination in

---

[3] The Federal Circuit cases cited by respondents are not to the contrary. *See Medtronic Inc.* v. *Intermedics, Inc.*, 799 F.2d 734, 738 (Fed. Cir. 1986) (appellant did "not contest the *Graham* factual inquiries stipulated by the parties or decided by the jury" and the Court thus reviewed JMOL arguments to determine whether "the law has been correctly applied to the facts found"); *Structural Rubber Prods. Co.* v. *Park Rubber Co.*, 749 F.2d 707, 709, 717 (Fed. Cir. 1984) (reviewing a properly-preserved JMOL motion and setting aside a jury verdict where there was a complete "absence of evidence" and the issue thus "should have been taken from the jury").

the Reexamination Case upheld the Board's decision on obviousness based upon the "'substantial evidence'" standard of review (Pet. 13) (quoting Pet. App. 147a), and deferred to the Board's determinations on numerous underlying factual issues (*id.* at 14).[4] The Federal Circuit's holding in the Reexamination Case makes this explicit: the court "f[ound] that *substantial evidence* in the record supports the Board's finding" regarding what "a person of ordinary skill in the art" would have understood about the prior art before the Board. (Pet. App. 160a) (emphasis added).

In a footnote, respondents attempt to argue that these factual findings were unnecessary, asserting that petitioner does not dispute critical facts and that there are no genuine facts in dispute. (Opp. 10 n.2.) This argument is wrong and contrary to the record.[5] It is also irrelevant, given that the Federal Circuit's decision in the Reexamination Case held no such thing, but instead deferred to the Board

---

[4] *See also, e.g.*, Pet. App. 156a ("Translogic contends that neither the Gorai algorithm nor its circuit realizations provide a multiplexer function"); *id.* ("Translogic contends that Gorai teaches away from multiplexers."); *id.* at 157a (the Gorai reference "does not specifically disclose a N:1 series multiplexer"); *id.* at 158a ("As any person of ordinary skill in the art would understand, the inputs to a circuit do not change the circuit itself.").

[5] Petitioner has disputed whether the Gorai reference would disclose to a person of ordinary skill in the art two-input multiplexers connected as claimed in its patent, and whether it would have been obvious for such a person to use the type of circuit disclosed in Weste within the circuits disclosed in Gorai. (Pet. App. 156a-58a.)

on disputed factual determinations. (Pet. App. 147a, 160a.)

Respondents do not dispute that they failed to seek JMOL, or a new trial, based upon the argument accepted by the Board and the Federal Circuit in the Reexamination Case—that the patent was obvious in light of the combination of Gorai and Weste. (*See* Pet. 15) (discussing *Unitherm Food Sys., Inc.* v. *Swift-Eckrich, Inc.*, 546 U.S. 394, 402 (2006)). As *Unitherm* held, following the requirements of Rule 50(b) is particularly important because of the "Seventh Amendment concerns" that would otherwise be raised by the "suggestion that . . . the Courts of Appeals [may] consider the sufficiency of the evidence underlying a civil jury verdict notwithstanding a party's failure to comply with Rule 50." 546 U.S. at 402 n.4.

Respondents argue that the Federal Circuit should be allowed to superimpose the results of administrative reexamination decisions on jury verdicts, because "[t]he alternative result" of potential inconsistency between an administrative reexamination decision and a jury verdict "would be inappropriate and unjust." (Opp. 11.) That argument ignores the Seventh Amendment, which provides that "no fact tried by a jury, shall be otherwise reexamined . . . than according to the rules of the common law." U.S. CONST. amend. VII. The proper course under the Seventh Amendment is to require the Federal Circuit to employ the JMOL standard to review the record in this case.

b. With respect to claim construction, respondents' argument ignores the Federal Circuit's explicit recognition in the Reexamination Case that it applied a legal standard that differs from the standard applied in a patent infringement action. Pet. App. 146a-47a (applying the "'broadest reasonable interpretation'" test applicable to proceedings before the Board) (quoting *In re Hyatt*, 211 F.3d 1367, 1372 (Fed. Cir. 2000)); *see In re Trans Tex. Holdings Corp.*, 498 F.3d 1290, 1295-96, 1298 (Fed. Cir. 2007) (describing a case in which the Board departed from a district court's claim construction because a different legal standard applied; "[c]laims are given their broadest reasonable interpretation . . . *in reexamination proceedings*") (emphasis added and quotation marks omitted); *see also, e.g., In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989).

The district court expressly recognized that a different standard applies in litigation: "The court must construe claims in light of the statutory presumption that an issued patent is valid, while in reexamination proceedings the Board interprets patent claims as broadly as reasonably possible." (Pet. App. 28a n.2.) Had the Federal Circuit applied the JMOL standard, it would have reviewed the claim construction arguments preserved in this case under the standard applicable to patent infringement litigation. *See Phillips* v. *AWH Corp.*, 415 F.3d 1303, 1311-19, 1327 (Fed. Cir. 2005) (en banc), *cert. denied*, 546 U.S. 1170 (2006). There is thus no basis for respondents' assertion that the

Federal Circuit's order in this case "[a]ppl[ied] the proper claim construction." (Opp. 10.)[6]

c. A decision by this Court would provide essential guidance to the bar, the district courts, and the Federal Circuit on how reexamination proceedings affect patent infringement litigation. The need for such guidance is demonstrated by the numerous briefs citing and analyzing the decision under review, *Translogic Technology, Inc.* v. *Hitachi, Ltd.*, Nos. 2005-1387, 2006-1333, 250 Fed. Appx. 988 (Fed. Cir. Oct. 12, 2007). In the one year since the Federal Circuit released its two-page unpublished decision in this case, according to Westlaw at the time of filing of this brief, the unpublished decision in this case has been cited by parties in 20 district court filings across the United States, with parties often parsing every word of the Federal Circuit's unpublished decision. Despite the fact that more than 400 patent cases around the country currently involve patents that are the subject of reexamination proceedings (Pet. 4), the Federal Circuit has yet to provide a definitive, published holding as to which proceeding controls (*see id.* at 16-19). The PTO also continues to struggle with how reexamination and litigation will interact.[7]

---

[6] Respondents also waived the claim construction issue referenced in their brief (Opp. 5 n.1) by not raising it in the district court during claim construction proceedings or at trial.

[7] In its Manual of Patent Examining Procedure, the PTO summarizes the *Translogic* proceedings and notes that the Federal Circuit "consolidated [both of] the appeals" from the Board and district court. U.S. PATENT AND TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 2286, at 2200-151 (...continued)

2. Petitioner also argues that the Federal Circuit's holding is inconsistent with the Patent Act, 35 U.S.C. § 307(a), which provides that after administrative proceedings are complete, and after "the time for appeal has expired or any appeal proceeding has terminated," *id.*, the Director of the PTO "will issue and publish a certificate *canceling* any claim of the patent finally determined to be unpatentable," *id.* (emphasis added). (Pet. 20.) As discussed below, "canceling" a patent only authorizes the PTO to terminate a patent prospectively, and does not provide a basis, apart from Fed. R. Civ. P. 59(e) or 60(b), for reopening the record in a patent infringement action and the corresponding judgment, and giving a cancellation certificate retroactive effect.

As petitioner noted, the canon of constitutional avoidance counsels in favor of such an interpretation. (Pet. 20.) Respondents fail to address petitioner's statutory interpretation argument and set forth no competing interpretation of "canceling" in § 307(a). Instead, respondents assert that "the Federal Circuit's opinion in this case makes no reference at all to the actual or prospective cancellation of the '666 Patent by the PTO." (Opp. 13.) The Federal Circuit, however, was silent with respect to all of its

---

(July 2008) ("MPEP"), http://www.uspto.gov/web/offices/pac/mpep/mpep_e8r7_2200.pdf. In the PTO's view, the Federal Circuit's approach in the *Translogic* proceedings can be described as the Federal Circuit having "addressed only the patent owner's reexamination appeal from the Board." *Id.*

analysis in this case. Section 307(a) plainly governs patent cancellation in reexamination proceedings and respondents invoke no other statutory basis for the Federal Circuit's decision.[8]

Congress's use of the word "canceling" in § 307(a) empowers the PTO to make prospective, but not retroactive, findings of invalidity. (*See* Pet. 20-25.) Like the text of § 307(a) itself, the PTO's regulations and publications evidence a prospective understanding of cancellation. *See* Pet. 22; MPEP § 2209, at 2200-16 ("When the prosecution of a reexamination proceeding is terminated, a reexamination certificate is issued which indicates the *status* of all claims *following* the reexamination.") (emphases added).

---

[8] The Federal Circuit's decision in this case relied upon its decision in the Reexamination Case affirming the Board's obviousness findings. The Board specifically invoked its authority under 35 U.S.C. § 306 to review findings of a patent examiner. (Pet. App. 183a.) Section 307(a) sets out when and how the Board's decisions become final:

> [i]n a reexamination proceeding under this chapter, when the time for appeal has expired or *any appeal proceeding has terminated*, the Director will issue and publish a *certificate canceling* any claim of the patent finally determined to be unpatentable

Id. By statute, the Board's decisions take effect only upon the completion of judicial review and the publishing of a certificate of cancellation.

A prospective reading of "canceling" in § 307(a) accords with common legal usage.[9] Had Congress intended to authorize retroactive application of reexamination certificates, it could have drafted such a statute.[10] In § 307(a), it did not. Especially given the significant constitutional problems that a retroactive construction of § 307(a) would present, as

---

[9] *See, e.g.*, 16 U.S.C. § 460nnn-23(e)(2) (directing that the Secretary of the Interior "cancel that portion of the permitted grazing on Federal lands in [certain] allotments," which would, "[u]pon cancellation," only affect "*future* grazing use") (emphasis added); 7 C.F.R. § 1124.10(c) ("Cancellation of a producer-handler's status pursuant to this paragraph shall be effective on the first day of the month *following* the month in which the requirements were not met or the conditions for cancellation occurred.") (emphasis added); 13 C.F.R. § 115.33(e)(3) ("*Effect of cancellation.* Cancellation of a bonding line by SBA is effective upon receipt of written notice by the Surety. Bonds issued before the effective date of cancellation *remain* guaranteed by SBA.") (second emphasis added); 38 C.F.R. § 74.22(d) ("*Effect of verified status cancellation.* After the effective date of cancellation, a participant is *no longer* eligible . . . . However, such concern is obligated to perform *previously awarded* contracts to the completion of their existing term of performance.") (second and third emphases added); 48 C.F.R. § 17.103 ("*Cancellation* means the cancellation (within a contractually specified time) of the total requirements of all *remaining* program years.") (second emphasis added).

[10] *Cf.* 8 U.S.C. § 1155 ("The Secretary of Homeland Security may . . . revoke the approval of any petition . . . . Such revocation shall be effective *as of the date of approval* of any such petition.") (emphasis added); 26 U.S.C. § 3121(w)(2) ("The election shall be revoked by the Secretary if such church or organization fails to furnish the information required . . . . Any revocation under the preceding sentence *shall apply retroactively* to the beginning of the 2-year period . . . .") (emphasis added).

a matter of constitutional avoidance the Court should consider the proper construction of § 307(a) and its bearing on the interaction of reexamination proceedings and patent litigation.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

JEFFREY S. LOVE
JOHN D. VANDENBERG
KLARQUIST SPARKMAN, LLP
121 S.W. SALMON STREET
SUITE 1600
PORTLAND, OREGON 97204
(503) 226-7391

ROBERT A. LONG
COUNSEL OF RECORD
E. EDWARD BRUCE
RICHARD L. RAINEY
BRIAN G. BIELUCH
JAMES P. SULLIVAN
JOSHUA B. SIMMONS
COVINGTON & BURLING LLP
1201 PENNSYLVANIA AVENUE, NW
WASHINGTON, D.C. 20004
(202) 662-6000

Counsel for Petitioner

NOVEMBER 2008